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SUBJECT: CODEL REID AFFIRMS U.S. INTEREST IN PARAGUAY

SUMMARY

¶1. (SBU) During its November 25-27 visit to Asuncion, CODEL Reid met with senior-most leaders of all three branches of government. The CODEL met Foreign Minister Ramirez, who Senator Reid thanked for his

role in securing a meeting with President Duarte earlier that morning (septel). Ramirez recognized the importance of Paraguay's relationship with the United States, but said the United States has been "distant" of late; he also expressed interest in a trade agreement and biofuels assistance. "You'll note hunger, poverty and social differences during your visit," Ramirez said, which along with the changing rules of the international community create a "fertile space" for regional populism. In a meeting with Congressional leadership, Senator Reid underscored that the United States has spent "too little time on our southern neighbors," promising that would change. The CODEL engaged its Paraguayan counterparts on energy issues and pending legislation to strengthen intellectual property protections; the Paraguayans requested a biofuels agreement and promised to pass terrorism legislation next term. Supreme Court President Pucheta and MCA Threshold Program coordinator Walde briefed on Paraguay's efforts to strengthen its judicial system and to reduce corruption. The Senators also visited a several USAID projects and had lunch with Peace Corps volunteers. Widespread media coverage portrayed the visit as "a strong counterpoint to Hugo Chavez" and a show of U.S. interest in improving relationships throughout the hemisphere. The delegation's theme of strengthening relations with Latin America resonated well and set just the right tone as Paraguay approaches its April 20 national elections. END SUMMARY.

¶2. CODEL Reid, including Senate Majority Leader Harry Reid (D-NV), Senator Thad Cochran (R-MS), Senator Jeff Bingaman (D-NM), Senator Kent Conrad (D-ND), Senator Byron Dorgan (D-ND), Senator Mike Crapo (R-ID), and Senator Robert Menendez (D-NJ) visited Asuncion November 25-27. Staffers Marcel Lettre, Anna Gallagher, Mike Castellano, Federico De Jesus, Serena Hoy, and Kay Webber, and military escort Colonel Mike Barbero, were also part of the delegation. Ambassador Cason accompanied the CODEL on its entire program.

MEETING WITH FOREIGN MINISTER RAMIREZ

¶3. (SBU) In the delegation's meeting with Foreign Minister Ruben Ramirez, Senator Reid thanked Ramirez for his role in securing a meeting with President Duarte earlier that morning (septel). (NOTE: President Duarte initially declined to meet the delegation, but upon Ramirez's urging, changed his mind. END NOTE). Ramirez said President Duarte asked him how he should conduct the meeting with the CODEL, and that Ramirez advised Duarte to be frank and open given that the Senators, like Duarte, were politicians. Senator

Reid noted his appreciation for the delegation's candid exchange with President Duarte. Ramirez told Senator Reid that Las Vegas, Nevada (Senator Reid's home state) honored him with a certificate when he served as Paraguay's Consul in Los Angeles from 1997-98. Ramirez proudly showed Senator Reid the certificate, noting that his time in the United States was "an important experience in his life."

¶4. (SBU) Ramirez then recognized the value of Paraguay's relationship with the United States, but said that the United States has been "distant" of late. Ramirez said Paraguay has informed the United States of this perception, particularly regarding the two countries' economic relations. Dovetailing on President Duarte's plea for unilateral trade preferences (septel), Ramirez noted that preferences would have a great impact on Paraguay's economy. Ramirez asserted that ATPDEA has negatively impacted Paraguay's trade within the region. He lamented Paraguay's lack of a sea coast and reported that it costs from 20 to 60 percent more to export the same product from Paraguay than from Argentina to the United States. "Paraguay's relationship with the United States is a top priority," Ramirez said, but he asserted that Paraguay wants a more expansive trade relationship, including a trade agreement, with the United States. On energy, Ramirez said Paraguay wants to develop biofuels, and lamented its lack of international influence because it does not produce gas.

¶5. (SBU) "You'll note hunger, poverty and social differences during your visit," Ramirez said, which along with changing rules of the international community and commerce (he cited United Nations, World Bank, and IMF reform) are creating a "fertile space" for populism throughout the region. Ramirez complained that U.S. assistance is not channeled through the Paraguayan government, and urged the United States to work with his government on development assistance and anti-corruption initiatives. Ramirez affirmed his belief that the United States is a great leader, but said Paraguay "didn't feel it." "That's why we're here," replied Senator Reid.

CONGRESS-TO-CONGRESS

¶6. (U) In the delegation's meeting with the presidents of both chambers of congress (plus seven other key congressional leaders), Senator Reid underscored his belief that the United States has spent "too little time on our southern neighbors." Senator Reid promised to do everything in his power to change that. The Majority Leader then reaffirmed the United States' desire for better relations with Paraguay, and in reference to former President Rutherford B. Hayes' award of territory to Paraguay in 1878 following the War of the Triple Alliance, quipped that Hayes "was right to pay attention to Paraguay." Senate President Miguel Saguier agreed that U.S.-Paraguayan relations are good but could improve. Lower House President Oscar Salomon described the Senators' visit as "historic" and asked the United States to closely monitor Paraguay's April 2008 elections, one of Paraguay's "most important democratic tests." Salomon also expressed concern about instability in neighboring Bolivia and the "external elements that are overly interested in it."

¶7. (U) The CODEL members engaged their Paraguayan counterparts on energy issues and pending legislation to strengthen intellectual property protections. On biofuels, the Paraguayans worried about U.S. cooperation with Brazil, encouraging the delegation to consider an agreement with Paraguay. One Paraguayan legislator regretted that his country, despite its great potential on energy issues, is "giving its energy to a wealthy country," in reference to Paraguay's shared Itaipu Dam with Brazil. Senator Menendez encouraged the Paraguayan Congress to pass its still-pending criminal code, including intellectual property protections. In response, Paraguayan interlocutors asserted their compliance with international standards, citing "great progress" over the past ten years on trademark and copyright protections. Saguier explained that the criminal code originally included a terrorism statute, but said "ideology got in the way" of its passage. Senator Ana Mendoza de Acha further explained that, given Paraguay's dictatorial history, civic organizations feared the draft terrorism bill could be used to politically persecute citizens. She said Congress would craft a more specific law to address those concerns. Saguier

affirmed that Paraguay is cognizant that any country can be a victim of terrorism at any time. He assured the U.S. Senators that his Congress will pass terrorism legislation next term.

SUPREME COURT BRIEFING ON ANTI-CORRUPTION
AND JUDICIAL REFORM

18. (U) Supreme Court President Alicia Pucheta outlined Supreme Court advances in strengthening Paraguay's judicial system and reducing corruption. She highlighted USAID programs that have improved transparency and access to information regarding the budget, administrative decisions, and court rulings; established a new Communications Office, a new Code of Ethics and Ethics Office, information desks and a call center; and, improved the Court's web site and newsletter. Minister Walde, Paraguay's Millennium Challenge Account (MCA) Threshold Program coordinator, provided an overview of the program, touching on Paraguay's progress on all 10 components. Walde emphasized steady improvement on the Control of Corruption scorecard, from eight percent in FY2005 to 30 percent in FY2008. He stressed the uniqueness and importance of the Threshold Program in bringing together 28 government institutions to fight corruption. Minister Walde closed by emphasizing Paraguay's goal of qualifying for a full MCA Compact.

USAID HEALTH CLINIC VISIT

19. (U) The delegation visited a health clinic managed by the Paraguayan Center for Population Studies (CEPEP), a leading Paraguayan health sector NGO. With USAID assistance, CEPEP, which provides reproductive health services through a network of four clinics and associated professionals working throughout the country, has expanded its focus to provide integrated primary health services to an estimated 24,000 Paraguayans annually. USAID Health Officer Graciela Avila gave the CODEL an overview of USAID assistance in the health sector, including achievements in decentralized health services, establishment of 110 social pharmacies to provide low-cost medicines to Paraguayans in four departments, innovative health insurance systems, a new public-private initiative to expand access to cancer medicines, and improvements in the GOP's capacity to manage family planning programs. CEPEP Executive Director and former Health Minister Cynthia Prieto explained CEPEP's services and led the Delegation on a tour of the Clinic's facilities. CODEL members interacted extensively and warmly with both medical staff and patients.

USAID PARAGUAY VENDE SITE VISIT

110. (U) The CODEL also visited the production plant of a family owned-business that receives technical assistance from USAID's Paraguay Vende (Paraguay Sells) program. Hierbapar is managed by the family's two sons, who are impressive young entrepreneurs. The company produces 60 different varieties of medicinal plants, aromatics seeds, and condiments. With USAID support, Hierbapar experienced an annual average growth rate of 45 percent from 2004 to 2007 and is currently exporting aromatic seeds to Europe and Japan. The company has a significant social impact on the municipality of Lima, Paraguay, with over 1,500 small farmers supplying its raw materials. The disposable income of these small farmers has increased by more than four times since Hierbapar's founding. With continued USAID support, Hierbapar is planning to expand its export markets and to add 500 suppliers. The CODEL toured Hierbapar's facilities and received samples of its products. While there, the CODEL also met with a young entrepreneur who started COMPASA, one of the few companies in Paraguay that works in recycling oil and fuel waste from Paraguay's rivers. COMPASA started the recycling business in 2006, and as of October 2007 had recycled over 1,000,000 liters of fuel and oil from the Paraguay River. The recycled fuels, mostly diesel, are in large part exported to Brazil; small amounts are distributed for local consumption.

PEACE CORPS LUNCH

¶11. (U) The Senators also lunched with six Peace Corps Volunteers, three of whom were from the Senators' home states. The Volunteers represented Peace Corps Paraguay's five technical sectors -- agriculture (including beekeeping and crop extension), rural economic development, rural health and sanitation, environment, and education and youth. The Senators and Volunteers discussed the life of a Volunteer in Paraguay, the country's transition to democracy, and socio-economic development. Peace Corps Paraguay gave each Senator a copy of its 40th anniversary commemorative stamp, celebrating the history of the third largest Peace Corps program in the world.

PRESS COVERAGE/COMMENT

¶12. (SBU) Widespread media coverage portrayed the delegation's visit as "a strong counterpoint to Hugo Chavez" (La Nacion and Ultima Hora, 11/27) and a show of U.S. interest in improving relationships throughout the hemisphere. Left-center Ultima Hora (11/27) ran three stories in disparate sections of the paper reflecting Senator Reid's comments in defense of a free press, a feature story on the delegation's visit to a USAID project promoting Paraguay exports, and Reid's responses to press questions about Chavez following the delegation's meeting with Congress. "We understand Chavez speaks ill of the U.S. throughout the world," Senator Reid is quoted as saying. "And he has also insulted President Bush... But we want to use the influence of the U.S. to improve relations and integrate the hemisphere." Most major broadcast news (radio and television) operations in Paraguay carried reports and bulletins on the visit throughout the day. COMMENT: The delegation's core theme of strengthening relations with Latin America resonated well across Paraguayan society, setting just the right tone of U.S. interest in Paraguay in the run-up to the April 20 national elections. END COMMENT.

This cable was cleared by Codel Reid.

CASON